

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2009
Gary Nicholson	Board of Supervisors	Jan. 2009
Scott Jacobs	Board of Supervisors	Jan. 2011
Judy Howrey	County Auditor	Jan. 2009
Lori Erkenbrack	County Treasurer	Jan. 2011
Kathy Bennett	County Recorder	Jan. 2011
William A. Davis	County Sheriff	Jan. 2009
Cynthia Voorde	County Attorney	Jan. 2011
Joan Wagner	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2009, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ending June 30, 2002 (which are not presented herein), and expressed qualified opinions on those financial statements because the materials and supplies inventory were not included. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the five year period ending June 30, 2007 (which are not presented herein), and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 17, 2009

Hungelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenue of Calhoun County's governmental activities increased 4.3%, or \$538,705, from fiscal 2007 to fiscal 2008. Charges for services increased \$357,163, operating grants and contributions increased \$167,088, property tax increased \$27,959, and unrestricted investment earnings decreased \$44,140. Capital grants and contributions increased \$16,912, primarily because of a decrease in capital assets contributed by the Iowa Department of Transportation.
- Program expenses of Calhoun County's governmental activities were 6.7 %, or \$777,901, more in fiscal 2008 than in fiscal 2007.
- Calhoun County's net assets increased 5.4 %, or \$805,279, from June 30, 2007, to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Self Funding Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2008 totaled approximately \$15.6 million, increasing from \$14.8 million for fiscal year 2007. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	<u>2008</u>	<u>June 30</u> <u>2007</u>
Current and other assets	\$12,399,111	\$11,828,097
Capital assets	<u>10,225,957</u>	<u>9,928,192</u>
Total assets	<u>22,625,068</u>	<u>21,756,289</u>
Long-term liabilities	808,912	851,442
Other liabilities	<u>6,175,785</u>	<u>6,069,755</u>
Total liabilities	<u>6,984,697</u>	<u>6,921,197</u>
Net assets		
Invested in capital assets	10,225,957	9,928,192
Restricted	3,535,770	3,353,693
Unrestricted	<u>1,878,644</u>	<u>1,553,207</u>
Total net assets	<u>\$15,640,371</u>	<u>\$14,835,092</u>

Net assets of Calhoun County's governmental activities increased by \$805,279 from fiscal year 2007. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended <u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,861,536	\$ 1,504,373
Operating grants, contributions, and restricted interest	5,269,488	5,102,400
Capital grants, contributions, and restricted interest	578,231	561,319
General revenues:		
Property tax	4,864,425	4,836,466
Penalty and interest on property tax	39,948	33,200
State tax credits	264,957	254,091
Unrestricted investment earnings	294,938	339,078
Other general revenues	<u>3,055</u>	<u>6,946</u>
Total revenues	<u>13,176,578</u>	<u>12,637,873</u>
Program expenses:		
Public safety and legal services	1,259,801	1,199,199
Physical health and social services	3,450,428	3,234,223
Mental health	1,195,363	1,172,381
County environment and education	677,659	585,423
Roads and transportation	3,755,095	3,576,487
Governmental services to residents	430,509	385,375
Administration	1,177,740	1,186,714
Non-program	392,775	224,007
Interest on long-term debt	<u>31,929</u>	<u>29,589</u>
Total expenses	<u>12,371,299</u>	<u>11,593,398</u>
Increase in net assets	805,279	1,044,475
Net assets beginning of year, as restated	<u>14,835,092</u>	<u>13,790,617</u>
Net assets end of year, as restated	<u>\$15,640,371</u>	<u>\$14,835,092</u>

Calhoun County increased property taxes from a total levy of 11.99786 to 12.0122 from fiscal year 2007 to fiscal year 2008.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$5,825,909, an increase of \$324,930 above last year's total of \$5,500,979. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$167,500 and expenditures increased by \$348,458. The General Fund ending balance decreased by \$249,961 from the prior year to \$3,121,368. The departments usually spend 90% of their budget trying to have something to work with in case an expenditure arises that was not anticipated. Budget amendments are expensive to the taxpayer with publications costing approximately \$250 each time. The departments try to cover budgeted expenses until close of fiscal year but sometimes things unforeseen or increased costs in a budget causes the need for a budget amendment which is done in May.

- Mental Health revenues increased by \$102,255. Mental health expenditures increased \$22,982. The fund balance at the end of fiscal year 2008 was \$82,439.
- Rural Services Fund ending balance increased \$26,339 from the prior year.
- Secondary Roads Fund revenues increased \$254,498 and expenditures increased \$85,069. The ending fund balance of \$1,243,437 was a \$79,751 increase from the prior year.
- Conservation Trust Fund expenditures increased \$67,235 from fiscal year 2007 to fiscal year 2008.
- Capital Projects Fund expenditures increased \$43,218 from fiscal year 2007 to fiscal year 2008.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget one time. The amendment, which was made on May 27, 2008, increased budgeted revenues by \$9,000 and budgeted expenditures by \$292,250.

With these amendments, the County did not exceed the amounts budgeted.

CAPITAL ASSETS

Capital Assets

At June 30, 2008, Calhoun County had approximately \$10.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

		<u>June 30,</u>	
		<u>2008</u>	<u>2007</u>
Land	\$	515,348	\$ 470,530
Buildings and improvements		981,464	1,025,463
Equipment and vehicles		4,580,777	4,529,643
Construction in progress		-	1,133,971
Infrastructure, road network		<u>4,148,368</u>	<u>2,768,585</u>
Total		<u>\$10,225,957</u>	<u>\$ 9,928,192</u>

The County had depreciation expense of \$794,423 in fiscal year 2008, and total accumulated depreciation of \$4,463,305 at June 30, 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 1990 was 11,580 and 2000 was 11,115. The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

Budgeted disbursements are expected to rise because of a 2.5% wage increase, as recommended by the compensation board and approved by the Calhoun County Board of Supervisors, but there is no projected increase in the cost of health care benefits.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2008

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 5,441,429
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	11,789
Succeeding year	5,361,654
Interest and penalty on property tax	26,751
Accounts	626,583
Accrued interest	8,949
Notes	116,750
Due from other governments	307,856
Inventories	448,906
Prepaid expenses	48,444
Land	515,348
Infrastructure, property and equipment, net of accumulated depreciation	9,710,609
Total assets	<u>22,625,068</u>

LIABILITIES

Accounts payable	559,178
Salaries and benefits payable	93,270
Due to other governments	107,777
Interest payable	49,406
Deferred revenue:	
Succeeding year property tax	5,361,654
Other	4,500
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	445,720
Portion due or payable after one year:	
Drainage warrants payable	363,192
Total liabilities	<u>6,984,697</u>

NET ASSETS

Invested in capital assets	10,225,957
Restricted for:	
Supplemental levy purposes	1,166,720
Secondary roads purposes	1,020,929
Other purposes	1,348,121
Unrestricted	1,878,644
Total net assets	<u>\$ 15,640,371</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Exhibit B

Functions/Programs	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Governmental activities:					
Public safety and legal services	\$ 1,259,801	\$ 77,605	\$ 65,047	\$ -	\$ (1,117,149)
Physical health and social services	3,450,428	1,212,690	1,484,619	-	(753,119)
Mental health	1,195,363	579	876,783	-	(318,001)
County environment and education	677,659	136,365	13,293	-	(528,001)
Roads and transportation	3,755,095	132,334	2,828,934	-	(793,827)
Governmental services to residents	430,509	209,246	812	-	(220,451)
Administration	1,177,740	92,717	-	-	(1,085,023)
Non-program	392,775	-	-	578,231	185,456
Interest on long-term debt	31,929	-	-	-	(31,929)
Total	<u>\$12,371,299</u>	<u>\$1,861,536</u>	<u>\$ 5,269,488</u>	<u>\$ 578,231</u>	<u>(4,662,044)</u>
General Revenues:					
Property and other county tax					4,864,425
Penalty and interest on property tax					39,948
State tax credits					264,957
Unrestricted investment earnings					294,938
Miscellaneous					<u>3,055</u>
Total general revenues					<u>5,467,323</u>
Change in net assets					805,279
Net assets beginning of year					<u>14,835,092</u>
Net assets end of year					<u>\$ 15,640,371</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Exhibit C

		Special Revenue					Nonmajor	
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Conservation Trust</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>								
Cash and pooled investments	\$2,200,346	\$ 323,844	\$ 307,660	\$ 791,071	\$ 548,289	\$ 251,574	\$ 362,056	\$ 4,784,840
Receivables:								
Property tax:								
Delinquent	17,815	2,074	3,440	-	-	-	-	23,329
Succeeding year	3,522,341	410,084	1,429,229	-	-	-	-	5,361,654
Interest and penalty on property tax	32,646	-	-	-	-	-	-	32,646
Accounts	613,569	-	5,765	-	4,891	-	2,351	626,576
Accrued interest	8,031	-	-	-	-	-	6	8,037
Notes	116,750	-	-	-	-	-	-	116,750
Due from other governments	240,540	-	-	67,316	-	-	-	307,856
Inventories	-	-	-	448,906	-	-	-	448,906
Prepaid expenses	105,559	-	6,443	44,704	-	-	-	156,706
Total assets	<u>\$6,857,597</u>	<u>\$ 736,002</u>	<u>\$1,752,537</u>	<u>\$1,351,997</u>	<u>\$ 553,180</u>	<u>\$ 251,574</u>	<u>\$ 364,413</u>	<u>\$11,867,300</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 85,131	\$ 143,435	\$ 5,798	\$ 84,880	\$ 41,912	\$ -	\$ 12,153	\$ 373,309
Salaries and benefits payable	69,470	-	1,101	22,699	-	-	-	93,270
Due to other governments	8,826	97,970	-	981	-	-	-	107,777
Interest payable	-	-	-	-	-	-	49,406	49,406
Deferred revenue:								
Succeeding year property tax	3,522,341	410,084	1,429,229	-	-	-	-	5,361,654
Other	50,461	2,074	3,440	-	-	-	-	55,975
Total liabilities	<u>3,736,229</u>	<u>653,563</u>	<u>1,439,568</u>	<u>108,560</u>	<u>41,912</u>	<u>-</u>	<u>61,559</u>	<u>6,041,391</u>
Fund balances:								
Reserved for:								
Supplemental levy purposes	1,166,720	-	-	-	-	-	-	1,166,720
Drainage warrants	-	-	-	-	-	-	(22,526)	(22,526)
Inventories	-	-	-	448,906	-	-	-	448,906
Prepaid expenses	105,559	-	6,443	44,704	-	-	-	156,706
Unreserved, reported in:								
General fund	1,849,089	-	-	-	-	-	-	1,849,089
Special revenue funds	-	82,439	306,526	749,827	511,268	-	325,380	1,975,440
Capital projects fund	-	-	-	-	-	251,574	-	251,574
Total fund balances	<u>3,121,368</u>	<u>82,439</u>	<u>312,969</u>	<u>1,243,437</u>	<u>511,268</u>	<u>251,574</u>	<u>302,854</u>	<u>5,825,909</u>
Total liabilities and fund balances	<u>\$6,857,597</u>	<u>\$ 736,002</u>	<u>\$1,752,537</u>	<u>\$1,351,997</u>	<u>\$ 553,180</u>	<u>\$ 251,574</u>	<u>\$ 364,413</u>	<u>\$11,867,300</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Exhibit D

Total governmental fund balances	\$ 5,825,909
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,689,262 and the accumulated depreciation is \$4,463,305.	10,225,957
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	55,975
The allowance for uncollectible accounts receivable is not reported in the governmental funds.	(17,435)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	358,877
Compensated absences payable and drainage warrants payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(808,912)</u>
Net assets of governmental activities	<u>\$15,640,371</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

Exhibit E

		Special Revenue					Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Capital Projects	Special Revenue	Total
Revenues:								
Property and other County tax	\$3,190,233	\$ 407,962	\$1,264,079	\$ -	\$ -	\$ -	\$ -	\$4,862,274
Interest and penalty on property tax	31,381	-	-	-	-	-	-	31,381
Intergovernmental	1,963,189	899,561	65,559	2,828,934	-	-	15,672	5,772,915
Licenses and permits	9,667	-	-	15,465	-	-	-	25,132
Charges for service	1,059,950	-	21,647	-	95,943	-	13,595	1,191,135
Use of money and property	277,739	-	-	-	-	-	98	277,837
Miscellaneous	55,080	579	-	44,612	31,865	-	578,231	710,367
Total revenues	<u>6,587,239</u>	<u>1,308,102</u>	<u>1,351,285</u>	<u>2,889,011</u>	<u>127,808</u>	<u>-</u>	<u>607,596</u>	<u>12,871,041</u>
Expenditures:								
Operating:								
Public safety and legal services	927,150	-	314,121	-	-	-	5,526	1,246,797
Physical health and social services	3,506,317	-	-	-	-	-	-	3,506,317
Mental health	-	1,195,363	-	-	-	-	-	1,195,363
County environment and education	529,045	-	138,642	-	-	-	6,952	674,639
Roads and transportation	1,028	-	27,194	3,502,122	-	-	-	3,530,344
Governmental services to residents	409,271	-	744	-	-	-	1,297	411,312
Administrative	896,580	-	1,211	-	-	-	-	897,791
Non-program	3,139	-	-	-	-	-	404,598	407,737
Capital projects	-	-	-	230,648	250,661	136,675	-	617,984
Total expenditures	<u>6,272,530</u>	<u>1,195,363</u>	<u>481,912</u>	<u>3,732,770</u>	<u>250,661</u>	<u>136,675</u>	<u>418,373</u>	<u>12,488,284</u>
Excess (deficiency) of revenues over expenditures	<u>314,709</u>	<u>112,739</u>	<u>869,373</u>	<u>(843,759)</u>	<u>(122,853)</u>	<u>(136,675)</u>	<u>189,223</u>	<u>382,757</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	806	-	-	-	806
Operating transfers in	-	340,000	-	922,704	-	145,000	-	1,407,704
Operating transfers out	(564,670)	-	(843,034)	-	-	-	-	(1,407,704)
Payment of drainage district warrants	-	-	-	-	-	-	(58,633)	(58,633)
Total other financing sources (uses)	<u>(564,670)</u>	<u>340,000</u>	<u>(843,034)</u>	<u>923,510</u>	<u>-</u>	<u>145,000</u>	<u>(58,633)</u>	<u>(57,827)</u>
Net change in fund balances	(249,961)	452,739	26,339	79,751	(122,853)	8,325	130,590	324,930
Fund balances, beginning of year	<u>3,371,329</u>	<u>(370,300)</u>	<u>286,630</u>	<u>1,163,686</u>	<u>634,121</u>	<u>243,249</u>	<u>172,264</u>	<u>5,500,979</u>
Fund balances, end of year	<u>\$3,121,368</u>	<u>\$ 82,439</u>	<u>\$ 312,969</u>	<u>\$1,243,437</u>	<u>\$ 511,268</u>	<u>\$251,574</u>	<u>\$302,854</u>	<u>\$5,825,909</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Exhibit F

Net change in fund balances - Total governmental funds \$324,930

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures while
 governmental activities report depreciation expense to allocate those
 expenditures over the life of the assets. Capital outlay expenditures and
 contributed capital assets exceeded depreciation expense in the current
 year as follows:

Expenditures for capital assets	\$1,092,188	
Depreciation expense	<u>(794,423)</u>	297,765

In the Statement of Activities, the gain on the disposition of capital assets
 is reported whereas the governmental funds report the proceeds from the
 sale as an increase in financial resources.

-

Because some revenues will not be collected for several months after the
 County's year end, they are not considered available revenues and are
 deferred in the governmental funds as follows:

Property tax		7,337
--------------	--	-------

The decrease in the allowance for uncollectible accounts receivable is not
 reported in the fund financial statements.

3,381

Repayment of long-term liabilities is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the Statement
 of Net Assets.

Repaid		58,633
--------	--	--------

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds, as follows:

Compensated absences		(16,104)
----------------------	--	----------

The Internal Service Fund is used by management to charge the costs of
 employee health benefits to individual funds. The change in net assets of
 the Internal Service Fund is reported with governmental activities.

129,337

Change in net assets of governmental activities

\$805,279

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

Exhibit G

	Internal Service Self-Funding <u>Insurance</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 656,589
Accrued interest	<u>919</u>
Total assets	<u>657,508</u>
 <u>LIABILITIES</u>	
Accounts payable	185,869
Deferred revenue	<u>112,762</u>
Total liabilities	<u>298,631</u>
 <u>NET ASSETS</u>	
Unrestricted	<u>\$ 358,877</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

Exhibit H

	Internal Service Self-Funding <u>Insurance</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,366,190
Payments from external customers	74,555
Insurance company refunds	<u>146,717</u>
Total operating revenues	1,587,462
Operating expenses:	
Medical claims and administrative fees	<u>1,475,226</u>
Operating income	112,236
Non-operating revenues:	
Interest on investments	<u>17,101</u>
Net income	129,337
Net assets beginning of year	<u>229,540</u>
Net assets end of year	<u>\$ 358,877</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

Exhibit I

	Internal Service Self-Funding <u>Insurance</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 74,555
Cash received from insurance company reimbursements	146,717
Cash received from operating fund reimbursements	1,367,446
Cash payments for medical claims and administrative fees	<u>(1,439,357)</u>
Net cash provided by operating activities	149,361
 Cash flows from investing activities:	
Interest on investments	<u>16,696</u>
 Net increase in cash and cash equivalents	166,057
 Cash and cash equivalents, beginning of year	<u>490,532</u>
 Cash and cash equivalents, end of year	<u>\$ 656,589</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 112,236
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accrued expenses	35,869
Increase in deferred revenue	<u>1,256</u>
 Net cash provided by operating activities	<u>\$ 149,361</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008

Exhibit J

ASSETS

Cash and pooled investments:

County treasurer	\$ 590,185
Other county officials	37,583

Receivables:

Property tax:

Delinquent	72,394
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Succeeding year	9,065,831
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Accounts	14,206
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Due from other governments	<u>7,388</u>
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Total assets	<u>9,787,587</u>
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LIABILITIES

Accounts payable	2,296
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Salaries payable	538
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Due to other governments	9,782,210
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Trusts payable	<u>2,543</u>
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Total liabilities	<u>9,787,587</u>
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Net Assets	<u>\$ -</u>
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See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred twenty drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Conservation Trust Fund is used to account for conservation activities including parks and trails.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006, assessed property valuations; is for the tax accrual period July 1, 2007, through June 30, 2008, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement Number 3.

The County's investments at June 30, 2008, include drainage district warrants with a carrying amount of \$44,874. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,712,589 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 79,670
	Special Revenue:	
	Rural Services	<u>843,034</u>
		922,704
 Mental Health	 General	 340,000
 Capital Projects	 General	 <u>145,000</u>
Total		<u>\$1,407,704</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 470,530	\$ 44,818	\$ -	\$ 515,348
Construction in progress	<u>1,133,971</u>	<u>245,836</u>	<u>(1,379,807)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,604,501</u>	<u>290,654</u>	<u>(1,379,807)</u>	<u>515,348</u>
Capital assets being depreciated:				
Buildings	1,512,139	-	(15,836)	1,496,303
Equipment and vehicles	7,666,876	583,733	(268,256)	7,982,353
Infrastructure, road network	<u>3,096,651</u>	<u>1,598,607</u>	<u>-</u>	<u>4,695,258</u>
Total capital assets being depreciated	<u>12,275,666</u>	<u>2,182,340</u>	<u>(284,092)</u>	<u>14,173,914</u>
Less accumulated depreciation for:				
Buildings	486,676	43,999	(15,836)	514,839
Equipment and vehicles	3,137,233	531,600	(267,257)	3,401,576
Infrastructure, road network	<u>328,066</u>	<u>218,824</u>	<u>-</u>	<u>546,890</u>
Total accumulated depreciation	<u>3,951,975</u>	<u>794,423</u>	<u>(283,093)</u>	<u>4,463,305</u>
Total capital assets being depreciated, net	<u>8,323,691</u>	<u>1,387,917</u>	<u>(999)</u>	<u>9,710,609</u>
Governmental activities capital assets, net	<u>\$9,928,192</u>	<u>\$1,678,571</u>	<u>\$(1,380,806)</u>	<u>\$10,225,957</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 31,947
Physical health and social services	11,338
County environment and education	37,269
Roads and transportation	642,675
Governmental services to residents	16,468
Administration	<u>54,726</u>
Total depreciation expense - governmental activities	<u>\$ 794,423</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 8,826
Special Revenue:		
Mental Health	Services	97,970
Secondary Roads	Services	981
		<u>98,951</u>
Total for governmental funds		<u>\$ 107,777</u>
Agency:		
County Assessor	Collections	\$ 378,984
Schools		5,957,537
Community Colleges		519,037
Corporations		2,226,901
Auto License and Use Tax		241,194
All other		<u>458,557</u>
Total for agency funds		<u>\$9,782,210</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008, is as follows:

	<u>Drainage Warrants</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$421,826	\$429,616	\$851,442
Increases	-	16,104	16,104
Decreases	<u>(58,634)</u>	<u>-</u>	<u>(58,634)</u>
Balance, end of year	<u>\$363,192</u>	<u>\$445,720</u>	<u>\$808,912</u>
Due within one year	<u>\$ -</u>	<u>\$445,720</u>	<u>\$445,720</u>
<u>Drainage Warrants</u>			

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$261,525, \$241,504, and \$240,224, respectively, equal to the required contributions for each year.

8. RISK MANAGEMENT

Calhoun County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2008, were \$146,244.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. RISK MANAGEMENT - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$160,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. SELF FUNDING INSURANCE PLAN

The Internal Service, Self Funding Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions in the Self Funding Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Self Funding Insurance Fund. The County's contribution for the year ended June 30, 2008, was \$1,366,190.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. SELF FUNDING INSURANCE PLAN - (Continued)

Amounts payable from the Self Funding Insurance Fund at June 30, 2008, total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 150,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2008):	
Current year events	<u>1,511,095</u>
Total incurred claims	<u>1,511,095</u>
Payments:	
Current year events	1,325,226
Prior year events	<u>150,000</u>
Total payments	<u>1,475,226</u>
Unpaid claims end of year	<u>\$ 185,869</u>

10. E911 NOTE PAYABLE

During the year ended June 30, 2003, Calhoun County loaned \$318,000 to the Calhoun County E911 Service Board. The ten year loan is interest free and is being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2008, the County received payments totaling \$35,000. The balance of the note on June 30, 2008, was \$116,750.

11. DESIGNATED FUND BALANCE

The Board of Supervisors has designated \$510,000 from the Conservation Land Acquisition Fund balance for use on the completion of a two story cabin at Twin Lakes, a year round shelter house with meeting room, and a parking lot. From the Resource Enhancement and Protection Fund, \$16,000 was designated for campground development. In the Secondary Road Fund, \$515,349 is designated for the purchase of gravel, equipment, and road resurfacing. In the Capital Projects Funds, \$55,000 is designated for the purchase of computer equipment, a new boiler for the court house, and partial replacement of windows in the courthouse.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2008, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-08</u>	<u>Remaining Commitment As of 6-30-08</u>
Purchase of Gravel	\$291,000	\$ -	\$291,000
Pavement Markings	\$ 32,833	\$ 27,529	\$ 5,304
Road Resurfacing	\$ 94,261	\$ -	\$ 94,261
Ambulance Garage	\$ 25,000	\$ -	\$ 25,000

The balance remaining at June 30, 2008, will be paid as work on the projects progresses.

13. FARM LEASE

The County has entered into an agreement to lease 236.5 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$61,870.77 per year for each of the three years of the lease with payments of \$20,623.59 being due on or before each March 15, August 15, and December 1, of 2008, 2009, and 2010. This agreement commenced on March 1, 2008, and will end on February 28, 2011.

14. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

The Center's activity for the fiscal year ending June 30, 2008, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$ 2,023,090
Receipts	6,253,465
Disbursements	<u>8,136,211</u>
Net assets, end of year	<u>\$ 140,344</u>

During the year ended June 30, 2008, the Center issued and retired bank loans totaling \$1,100,000 and issued a \$2,500,000 revenue note to finance the construction of a new facility. At June 30, 2008, the balance outstanding on the revenue note was \$1,285,563.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

15. OPERATING LEASE

Calhoun County leases digital imaging and client monitoring equipment for its public health department, which provides respite and supported community living services to clients over a six county area. Total expenses under these operating leases for the year ended June 30, 2008, was \$56,042. Future remaining payments under these leases at June 30, 2007, are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 55,889
2010	45,455
2011	<u>1,403</u>
Total minimum lease payments	<u>\$102,747</u>

16. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

17. RELATED PARTY TRANSACTIONS

The County had business transactions between the County and County officials or employees totaling \$22,029 during the year ended June 30, 2008.

18. ACCOUNTING RESTATEMENT

Beginning net assets for governmental activities has been restated to reflect a change in accumulated depreciation. This restatement is summarized below.

Net assets, June 30, 2007, as previously reported	\$14,843,855
Restatement of beginning net assets	<u>(8,763)</u>
Restated net assets, June 30, 2007	<u>\$14,835,092</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	<u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net <u>Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$4,862,275	\$ -	\$ 4,862,275	\$4,901,819	\$ 4,901,819	\$ (39,544)
Interest and penalty on property tax	31,381	-	31,381	20,000	20,000	11,381
Intergovernmental	5,742,655	-	5,742,655	5,557,380	5,557,380	185,275
Licenses and permits	23,361	-	23,361	7,200	7,200	16,161
Charges for service	942,826	-	942,826	1,055,245	1,064,245	(121,419)
Use of money and property	293,810	-	293,810	238,505	238,505	55,305
Miscellaneous	<u>738,722</u>	<u>578,231</u>	<u>160,491</u>	<u>277,150</u>	<u>277,150</u>	<u>(116,659)</u>
Total receipts	<u>12,635,030</u>	<u>578,231</u>	<u>12,056,799</u>	<u>12,057,299</u>	<u>12,066,299</u>	<u>(9,500)</u>
Disbursements:						
Public safety and legal services	1,243,763	-	1,243,763	1,297,417	1,307,417	63,654
Physical health and social services	3,537,136	-	3,537,136	3,823,969	3,823,969	286,833
Mental health	1,622,961	-	1,622,961	1,479,050	1,666,150	43,189
County environment and education	666,355	-	666,355	705,523	707,523	41,168
Roads and transportation	3,295,226	-	3,295,226	3,725,645	3,726,345	431,119
Governmental services to residents	410,155	-	410,155	432,855	458,355	48,200
Administration	893,048	-	893,048	1,042,275	1,058,125	165,077
Non-program	421,273	418,369	2,904	7,425	7,425	4,521
Capital projects	<u>591,340</u>	<u>-</u>	<u>591,340</u>	<u>784,000</u>	<u>835,100</u>	<u>243,760</u>
Total disbursements	<u>12,681,257</u>	<u>418,369</u>	<u>12,262,888</u>	<u>13,298,159</u>	<u>13,590,409</u>	<u>1,327,521</u>
Excess (deficiency) of receipts over disbursements	(46,227)	159,862	(206,089)	(1,240,860)	(1,524,110)	1,318,021
Other financing sources, net	<u>(57,828)</u>	<u>(58,633)</u>	<u>805</u>	<u>-</u>	<u>-</u>	<u>805</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(104,055)	101,229	(205,284)	(1,240,860)	(1,524,110)	1,318,826
Balance beginning of year	<u>4,888,895</u>	<u>185,071</u>	<u>4,703,824</u>	<u>3,703,847</u>	<u>3,703,847</u>	<u>999,977</u>
Balance end of year	<u>\$4,784,840</u>	<u>\$ 286,300</u>	<u>\$ 4,498,540</u>	<u>\$2,462,987</u>	<u>\$ 2,179,737</u>	<u>\$ 2,318,803</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 12,635,030	\$ 236,011	\$ 12,871,041
Expenditures	<u>12,681,257</u>	<u>(192,973)</u>	<u>12,488,284</u>
Net	(46,227)	428,984	382,757
Other financing sources, net	(57,828)	1	(57,827)
Beginning fund balances	<u>4,888,895</u>	<u>612,084</u>	<u>5,500,979</u>
Ending fund balances	<u>\$ 4,784,840</u>	<u>\$ 1,041,069</u>	<u>\$ 5,825,909</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$292,250. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board, and for Disaster Services by the Calhoun County Emergency Management Commission.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

Schedule 1

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
<u>ASSETS</u>							
Cash and pooled investments	\$ 16,722	\$ 286,300	\$ 6,013	\$ 12,229	\$ 9,764	\$ 31,028	\$ 362,056
Receivables:							
Property tax:							
Accounts	-	-	-	528	-	1,823	2,351
Accrued interest	-	-	-	6	-	-	6
Total assets	<u>\$ 16,722</u>	<u>\$ 286,300</u>	<u>\$ 6,013</u>	<u>\$ 12,763</u>	<u>\$ 9,764</u>	<u>\$ 32,851</u>	<u>\$ 364,413</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 12,153	\$ -	\$ -	\$ -	\$ -	\$ 12,153
Interest payable	-	49,406	-	-	-	-	49,406
Total liabilities	<u>-</u>	<u>61,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,559</u>
Fund balances:							
Reserved for drainage warrents	-	(22,526)	-	-	-	-	(22,526)
Unreserved	16,722	247,267	6,013	12,763	9,764	32,851	325,380
Total fund balances	<u>16,722</u>	<u>224,741</u>	<u>6,013</u>	<u>12,763</u>	<u>9,764</u>	<u>32,851</u>	<u>302,854</u>
Total liabilities and fund balances	<u>\$ 16,722</u>	<u>\$ 286,300</u>	<u>\$ 6,013</u>	<u>\$ 12,763</u>	<u>\$ 9,764</u>	<u>\$ 32,851</u>	<u>\$ 364,413</u>

See accompanying independent auditor's report

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2008

Schedule 2

	Resource Enhancement and <u>Protection</u>	Drainage <u>Districts</u>	<u>DARE</u>	Recorder's Records <u>Management</u>	Sheriff's <u>Fund</u>	County <u>Security</u>	<u>Total</u>
Revenues:							
Intergovernmental	\$ 15,542	\$ -	\$ 130	\$ -	\$ -	\$ -	\$ 15,672
Charges for service	-	-	-	2,337	-	11,258	13,595
Use of money and property	-	-	-	98	-	-	98
Miscellaneous	-	578,231	-	-	-	-	578,231
Total revenues	15,542	578,231	130	2,435	-	11,258	607,596
Expenditures:							
Operating:							
Public safety and legal services	-	-	1,389	-	-	4,137	5,526
County environment and education	6,952	-	-	-	-	-	6,952
Government services to residents	-	-	-	1,297	-	-	1,297
Non-program	-	404,598	-	-	-	-	404,598
Total expenditures	6,952	404,598	1,389	1,297	-	4,137	418,373
Excess (deficiency) of revenues over expenditures	8,590	173,633	(1,259)	1,138	-	7,121	189,223
Other financing uses:							
Payment of drainage district warrants	-	(58,633)	-	-	-	-	(58,633)
Excess (deficiency) of revenues over expenditures and other financing uses	8,590	115,000	(1,259)	1,138	-	7,121	130,590
Fund balances beginning of year	8,132	109,741	7,272	11,625	9,764	25,730	172,264
Fund balances end of year	\$ 16,722	\$ 224,741	\$ 6,013	\$ 12,763	\$ 9,764	\$ 32,851	\$ 302,854

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2008

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,852	\$ 139,652	\$ 86,412	\$ 4,925	\$ 42,725	\$ 2,854	\$ 241,194	\$ 70,571	\$ 590,185
Other County officials	37,583	-	-	-	-	-	-	-	-	37,583
Receivables:										
Property tax:										
Delinquent	-	633	8,180	28,698	2,587	31,931	356	-	9	72,394
Succeeding year	-	125,187	231,608	5,842,427	511,525	2,152,245	201,114	-	1,725	9,065,831
Accounts	411	-	-	-	-	-	-	-	13,795	14,206
Due from other governments	-	-	-	-	-	-	-	-	7,388	7,388
Total assets	<u>\$ 37,994</u>	<u>\$ 127,672</u>	<u>\$ 379,440</u>	<u>\$ 5,957,537</u>	<u>\$ 519,037</u>	<u>\$ 2,226,901</u>	<u>\$ 204,324</u>	<u>\$ 241,194</u>	<u>\$ 93,488</u>	<u>\$ 9,787,587</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,840	\$ 2,296
Salary payable	-	-	-	-	-	-	-	-	538	538
Due to other governments	35,451	127,672	378,984	5,957,537	519,037	2,226,901	204,324	241,194	91,110	9,782,210
Trusts payable	2,543	-	-	-	-	-	-	-	-	2,543
Total liabilities	<u>\$ 37,994</u>	<u>\$ 127,672</u>	<u>\$ 379,440</u>	<u>\$ 5,957,537</u>	<u>\$ 519,037</u>	<u>\$ 2,226,901</u>	<u>\$ 204,324</u>	<u>\$ 241,194</u>	<u>\$ 93,488</u>	<u>\$ 9,787,587</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2008

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 34,051	\$ 116,367	\$319,611	\$5,388,206	\$ 309,568	\$ 2,178,508	\$ 184,821	\$ 221,482	\$ 96,087	\$8,848,701
Additions:										
Property and other county tax	-	124,588	237,033	5,811,047	510,820	2,155,925	200,709	-	1,716	9,041,838
E911 surcharge	-	-	-	-	-	-	-	-	95,551	95,551
State tax credits	-	6,334	14,238	294,106	16,845	157,513	9,724	-	87	498,847
Office fees and collections	265,807	-	-	-	-	-	-	-	-	265,807
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,951,636	-	2,951,636
Assessments	-	-	-	-	-	257	-	-	-	257
Trusts	132,894	-	-	-	-	-	-	-	-	132,894
Miscellaneous	663	-	13,142	-	-	-	-	-	109,701	123,506
Total additions	399,364	130,922	264,413	6,105,153	527,665	2,313,695	210,433	2,951,636	207,055	13,110,336
Deductions:										
Agency remittances:										
To other governments	262,344	119,617	204,584	5,535,822	318,196	2,265,302	190,930	2,931,924	209,654	12,038,373
Trusts paid out	133,077	-	-	-	-	-	-	-	-	133,077
Total deductions	395,421	119,617	204,584	5,535,822	318,196	2,265,302	190,930	2,931,924	209,654	12,171,450
Balances end of year	\$ 37,994	\$ 127,672	\$379,440	\$5,957,537	\$ 519,037	\$ 2,226,901	\$ 204,324	\$ 241,194	\$ 93,488	\$9,787,587

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

Schedule 5

	Modified Accrual Basis						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:							
Property and other county tax	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364
Interest and penalty on property tax	31,381	27,190	28,124	22,861	35,254	29,879	38,004
Intergovernmental	5,772,915	5,619,776	6,076,916	5,860,587	5,682,265	5,410,699	5,349,455
Licenses and permits	25,132	8,877	8,072	7,828	9,479	7,235	8,242
Charges for service	1,191,135	827,809	771,814	683,703	829,273	708,429	774,988
Use of money and property	277,837	327,506	267,324	165,447	127,201	155,856	179,681
Miscellaneous	710,367	144,587	446,893	313,523	921,505	511,811	360,928
Total	<u>\$ 12,871,041</u>	<u>\$ 11,790,368</u>	<u>\$ 11,993,970</u>	<u>\$ 11,082,506</u>	<u>\$ 12,109,486</u>	<u>\$ 11,280,300</u>	<u>\$ 10,867,662</u>
Expenditures:							
Operating:							
Public safety and legal services	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952
Physical health and social services	3,506,317	3,323,350	3,199,600	3,287,599	3,442,855	3,359,161	3,335,317
Mental health	1,195,363	1,172,381	1,111,901	1,167,669	1,220,833	1,210,341	1,356,194
County environment and education	674,639	590,597	711,907	774,224	535,968	418,674	250,742
Roads and transportation	3,530,344	3,407,286	3,422,375	3,168,461	3,258,877	3,143,472	3,208,499
Governmental services to residents	411,312	377,359	367,729	325,891	303,527	256,362	243,536
Administration	897,791	853,276	815,228	812,006	823,195	763,239	695,371
Non-program	407,737	223,969	359,311	240,342	197,328	399,368	392,708
Capital projects	617,984	559,126	576,827	197,437	410,306	264,945	227,193
Total	<u>\$ 12,488,284</u>	<u>\$ 11,717,665</u>	<u>\$ 11,715,466</u>	<u>\$ 11,348,411</u>	<u>\$ 11,320,374</u>	<u>\$ 10,923,837</u>	<u>\$ 10,736,512</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Schedule 6

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grant for Food Stamp Program	10.561		\$ <u>12,382</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO13(66)-85-13	4,133
		BROS-CO13(69)-85-13	<u>174,825</u>
			<u>178,958</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		13,483
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,256
Foster Care – Title IV-E	93.658		7,843
Adoption Assistance	93.659		1,864
Medical Assistance Program	93.778		17,152
Social Services Block Grant	93.667		8,846
State Children's Insurance Program	93.767		112
Social Services Block Grant	93.667		45,267
Iowa Department of Public Health:			
Immunization Grants	93.268	5888I486	4,184
Calhoun Care for Yourself/WISEWOMAN Cardiovascular Study	93.283	5888WW27	66,170
Calhoun Breast and Cervical Cancer Early Detection Program	93.283	5888NB04	29,666
Public Health Preparedness and Response to Bioterrorism	93.069	5888BT01	<u>15,178</u>
			<u>213,021</u>

CALHOUN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Schedule 6
(Continued)

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Citizen Corps	97.053		\$ 11,854
Disaster Grants – Public Assistance	97.036		219,033
Emergency Management Performance Grants	97.042	FY08EMPG	13,539
Emergency Management Performance Grants	97.042	FY07EMPG	657
			<u>245,083</u>
Total			<u>\$ 649,444</u>

Basis of Presentation – The schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Calhoun County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Calhoun County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Calhoun County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-B-08, and I-C-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 17, 2009

Hunzelman, Putzier & Co.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Calhoun County:

Compliance

We have audited the compliance of Calhoun County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Calhoun County's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Calhoun County's management. Our responsibility is to express an opinion on Calhoun County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calhoun County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Calhoun County's compliance with those requirements.

In our opinion, Calhoun County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Calhoun County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Calhoun County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is a more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 17, 2009

Hungelman, Putzier & Co.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.036 – Disaster Grants – Public Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Calhoun County did not qualify as low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.
2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Applicable Offices
Auditor, Treasurer,
Recorder, Sheriff

Treasurer, Sheriff,
Recorder

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements: (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

II-A-08 Segregation of Duties - (Continued)

- | | | |
|----|---|--|
| 3. | Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |
|----|---|--|

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor:

1. The employees in the Auditor's office are cross-trained. The mail is opened by the Auditor and distributed, and checks are deposited promptly.
2. There are four staff members involved in preparing, processing, reviewing, and mailing checks. All checks are mailed promptly.
3. The warrants are reviewed by the Auditor before mailing. All checks are mailed from the Auditor's office.

Response – Treasurer:

In reference to the audit for fiscal year 2007-2008 and the issue of segregation of duties, the opening of the incoming mail is done on a rotating basis. Since each employee of the office handles every aspect of office work, it is nearly impossible to segregate duties. We are a very small office and all transactions are pretty well reviewed by at least two employees.

Response – Recorder:

When it comes to duties within our office, I have myself and my deputy. We split most duties between us. My deputy needs to know most duties in case of my absence, so I feel we do the best we can with only a two person office.

Response – Sheriff:

1. If we tried to implement this procedure there would be times that the mail would not get opened for days because of the Sheriff's schedule and not being in the office all the time. This would delay business and records would not be consistent at the end of the month.
2. Normally we try to reconcile bank accounts at the end of each month. There may be occasions when this doesn't get done promptly for various reasons.
3. All checks are signed by the Sheriff, unless he is gone for an extended period of time. If that happens, the checks are then authorized to be signed by the Chief Deputy. The Sheriff has been sealing the checks in envelopes after being signed and usually delivers the outgoing mail to the post office at the end of the day.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements: (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

II-B-08 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – We have addressed this control risk by engaging certified public accountants to prepare the financial statements. We have also appointed persons with sufficient knowledge to evaluate the preparation of the financial statements, and have reviewed and accepted the financial statements.

Conclusion – Response accepted.

II-C-08 Cash and Investments Reconciliation - Cash and investments have not reconciled to the general ledger balance during the year ended June 30, 2008. The difference at June 30, 2008, is approximately \$3,100. This is very similar to the difference at June 30, 2007.

Recommendation - Reconciliations of cash and investments should be done at the end of every month and any variance should be thoroughly investigated until located.

Response – We have been much more successful in reconciling the general ledger to the cash and investments now that I have figured out the system, and errors are being recognized and corrected much earlier. I also believe that the drainage districts have now been balanced and will not be an issue in balancing.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-08 Certified Budget - Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.

III-B-08 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-08 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part III: Other Findings Related to Required Statutory Reporting: (Continued)

- III-D-08 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Howrey Construction, owned by the spouse of a County employee	Twin Lakes Bike trail	\$12,981
B & M Construction, owned by Brent Maguire, Secondary Road employee	Construction	\$ 10,000
Zehr's Auto, owned by the spouse of a County employee	Parts and repairs	\$ 48

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Howrey Construction and B & M Construction do not appear to be a conflict of interest since these projects were competitively bid. The other transactions do not represent a conflict of interest as defined in Chapter 331.341 of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal year.

- III-E-08 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-F-08 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- III-H-08 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-08 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from county operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008, for the County Extension office did not exceed the amount budgeted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part III: Other Findings Related to Required Statutory Reporting: (Continued)

- III-J-08 Excess Balance - The following funds have balances at June 30, 2008, in excess of one year's expenditures:

Special Revenue - Conservation Trust
Capital Projects

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – Special Revenue – Conservation Trust:

At the January 2009 meeting of the Calhoun County Conservation Board, steps were taken to reduce the balance in the conservation trust account. The Board moved to support the building of a Native Heritage Museum in the amount of \$250,000. This project is in the early architectural stage, so construction may well be into next fiscal year. They also approved the construction of one more camper and one more family cabin this summer. Combined expenditure for these should be in the \$80,000 range. It is necessary that some balance remain in this account to achieve these type of projects.

Response – Capitol Projects:

The custodial supervisor is getting quotes for windows and the labor cost to install them. This will start the spring of 2009 and possibly continue into next fiscal year, depending on the cost. There are dollars in the Capitol Project fund for election equipment, and for computer upgrades and new computers.

Conclusion – Response accepted.

- III-K-08 Public Bidder Property - There are properties in the County which currently owe approximately \$39,000 in delinquent property taxes. These properties are currently in "public bidder" status.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

Response – Public bidder properties are slowly being worked on. Progress is being made, but this has not been a priority for either the County Attorney's or County Treasurer's offices at this time.

Conclusion – Response accepted.